

STATE OF WASHINGTON



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of

)

) No. G 99 - 31

)

The Market Conduct Examination

) FINDINGS, CONCLUSIONS, AND

of St. Paul Fire and Marine Insurance

) ORDER ADOPTING REPORT

Company, St. Paul Mercury Insurance

)

Company, St. Paul Guardian Insurance

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Company, Athena Assurance Company,

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St. Paul Medical Liability Insurance

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Company, Northbrook Property and

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Casualty Insurance Company, Northbrook

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Indemnity Company, Northbrook

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National Insurance Company, and

)

Seaboard Surety Company.

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BACKGROUND

An examination of the market conduct of St. Paul Fire & Marine Insurance Company; St. Paul Mercury Insurance Company; St. Paul Guardian Insurance Company; Athena Assurance Company; St. Paul Medical Liability Insurance Company; Northbrook Property and Casualty Insurance Company; Northbrook Indemnity Company; Northbrook National Insurance Company; and Seaboard Surety Company (the Companies) for September 1, 1997, through February 28, 1998, was conducted by market conduct examiners of the Washington State Office of the Insurance Commissioner. The Companies are a group of insurers authorized under RCW 48.05.030. This examination was conducted in compliance with the laws and regulations of the State of Washington and in accordance with the procedures promulgated by the National Association of

Insurance Commissioners and the Office of the Insurance Commissioner. This examination was limited to the following personal and commercial lines operations:

Agent licensing

Advertising

*Complaint Procedures**

Form and Rate Filings

Underwriting and Rating

Underwriting - Cancellations, Non-Renewals and Declinations

Claim Settlement Practices

** Complaints logged from January 1, 1992, through December 31, 1997, were reviewed for complaint trends.*

The examination report with the findings and recommendations was transmitted to the Companies for comments on April 9, 1999. Responses to the draft report were received on May 17, 1999. The Companies did not request a hearing.

The Commissioner or a designee has considered the report, the relevant portions of the examiner workpapers, and the submission by the Companies.

Subject to the right of the Company to demand a hearing pursuant to chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.

FINDINGS

The Commissioner adopts as findings the findings of the examiners as contained on pages 5-19 of the report.

CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the market conduct of the Companies.

ORDER

The examination report as filed, attached hereto and incorporated by reference, is hereby ADOPTED as the final examination report.

It is ORDERED that the Companies and each of them comply with the Instructions in the Report, as follows (page references are to the Report):

1. The companies are instructed to comply with RCW 48.30.050 to ensure that every piece of advertising used in Washington sets forth the full name of the insurer and the location of its home or principal office. The companies are further instructed to correct or destroy all advertising that does not meet this requirement within 90 days. (Page 5)
2. The companies are instructed to comply with WAC 284-30-660 which requires any advertising for distribution in Washington using a letter rating structure (AAA, A+) to include an explanation of ratings, and to destroy all advertising that does not meet this requirement. The companies are further instructed to ensure that all points of distribution (i.e., agents, marketing offices) are notified to immediately destroy all advertising material not in compliance. (Page 5)
3. The companies are instructed to comply with RCW 48.30.040 which addresses misleading or deceptive advertising by immediately withdrawing from distribution in Washington the advertisement - PAK II vs. Standard Policies until revised. (Page 5)
4. The companies are instructed to comply with RCW 48.17.160 to ensure that every agent soliciting business in Washington, on their behalf is appointed in a timely manner. (Page 6)
5. The companies are instructed to comply with all filing requirements stated in RCW 48.19.100. (Page 8)
6. The companies are instructed to comply with RCW 48.22.090 by obtaining signed PIP rejection forms when required. (Page 10)
7. The companies are instructed to comply with RCW 48.05.190(1), WAC 284-30-290(1), and WAC 284-30-560(2) regarding identification of the true insurer on Certificates of Insurance, binders, renewal certificates, and claim correspondence, and with RCW 48.18.230(1) regarding effective coverage dates on binders. (pages 11 and 16)
8. The companies are instructed to comply with RCW 48.18.2901(1)(b) regarding willingness to renew a policy. (Page 12)
9. The companies are instructed to comply with all filing and rating requirements in RCW 48.19.040(1)and (6), WAC 284-24-100(3)and (5), RCW 48.19.043(2), and WAC 284-24-070(3)(a-c) (Page 8, 10, 12, 13 and 14)
10. The companies are instructed to comply with RCW 48.18.300(2) and RCW 48.18.290(4) regarding retention of minimum premium and payment of return premium. (Page 15)

11. The companies are instructed to comply with RCW 48.18.290(1)(a) and WAC 284-30-570 regarding time frame and actual reason for cancellation. (Page 15)
12. The companies are instructed to comply with the requirements of WAC 284-30-340 regarding file documentation and work papers. (Page 17)
13. The companies are instructed to comply with the requirements of WAC 284-30-350 regarding disclosure of pertinent benefits and coverage. (Page 17)
14. The companies are instructed to comply with WAC 284-30-360(1) and (3) by responding to a notice of claim or pertinent communications within the required 10 days. (Page 16).
15. The companies are instructed to comply with WAC 284-30-370 by completing investigations within 30 days after notification of a claim, and to communicate with parties to the claim if the investigation can not be completed in that time frame. (Page 17)
16. The companies are instructed to comply with WAC 284-30-390(1)(a),(b), and (c) regarding establishing the market value of total loss vehicles, and payment of the sales tax and fees. (Page 16). The companies are further instructed to comply with RCW 46.12.070 when processing titles of total loss vehicles. (Page 16 and 17)

ENTERED at Lacey, Washington, this 8th day of June, 1999.

DEBORAH SENN
Insurance Commissioner

By:

WILLIAM E. FRANSEN
Deputy Commissioner